



**United Nations
Conference
on Trade and
Development**

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TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and
Development
Expert Meeting on Electronic Commerce and Tourism
Geneva, 18-20 September 2000
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. Provisional agenda

1. Registration
2. Election of officers and adoption of the agenda
3. Electronic commerce and development
4. The impact of e-commerce on tourism : assessment and experiences
5. Change and disintegration in the online tourism market and implications for financial, transport and other destination support services
6. From producers to intermediary to infomediary to consumer: who benefits from the e-commerce revolution in tourism
7. Possible strategies for developing countries
8. Adoption of the outcome of the Meeting

II. Annotations to the Provisional Agenda

Item 1 - Registration

1. It is recommended that delegates to the Meeting register during the morning of the first day of the Meeting.

Item 2 - Election of officers and adoption of the agenda

2. The provisional agenda for the Expert Meeting is reproduced in section I. above. The provisional schedule of the three-day meeting is attached to the present document.
3. In February 2000, the tenth session of the UNCTAD Conference adopted the UNCTAD Plan of Action (TD/386). In its paragraph 148, the Plan calls upon UNCTAD *"to continue to assist developing countries and countries in transition in building up a service infrastructure in the areas of customs, transport, banking, insurance and tourism, with a view to improving their competitiveness in the international marketplace. Also in paragraphs 156 and 157, relating to electronic commerce, it calls on UNCTAD to "contribute to informing international debates on the developmental impact of global information networks addressing, in particular, developing countries' specific problems, such as information technology, infrastructure constraints and build-up of human resource capacity"*.
4. The executive session of the Trade and Development Board decided on 12 May 2000 to convene, from 18 to 20 September 2000, an Expert Meeting on "Electronic Commerce and Tourism". In line with the mandate, the Meeting will have three substantive segments.

Item 3 - Electronic commerce and development

5. The discussions under this agenda item should address general issues concerning the "new economy" and electronic commerce, and their role in economic development. The discussions should provide a background for the specific deliberations that the Meeting would engage in under substantive items 4, 5, 6 and 7.

Item 4 - The impact of e-commerce on tourism: assessment and experiences

6. The discussions under the first substantive item will be devoted to the presentation by experts of their own experience as to how e-commerce has affected the performance of national tourism industries. Its effects on tourist receipts and arrivals will be reviewed as well as changes in the quality and components of the tourist product offer and package.

Item 5 - Change and disintegration in the online tourism market and implications for financial, transport and other destination support services

7. The discussion under the second substantive item will review the extent and importance of the change in relationships between different industry players caused by the advent of e-commerce in tourism. Particular attention will be given to new possibilities and challenges in the tourism sector, as well as to those that may be faced by banks, transporters, food and beverage producers and utilities, and sectoral or public organizations supporting and promoting a destination's export of tourism.

Item 6 - From producers to intermediary to infomediary to consumer: who benefits from the e-commerce revolution in tourism

8. The discussion under the third substantive item will be devoted to assessing how the new online tourism market structure rebalances the negotiating position and power in comparison with the pre-internet market. In the past, many tourism producers in developing countries have been unable to improve their take of revenues and profits through negotiating better contractual conditions with tour operators and international airlines. Have new possibilities arisen because of the online tourism? What are the key moves today of the market players that will be dominating the industry in several years' time?

Item 7 - Possible strategies for developing countries

9. Against the background of the previous three discussion items, the Expert Meeting will focus its attention on policy and practical recommendations directed to all parties involved in producing and exporting the tourism product in developing countries. The discussion should lead to the identification of activities that could be immediately implemented as well as to types and modes of support that could be requested from international organizations, in particular with regard to the situation in LDCs.

Item 8 - Adoption of the outcome of the Meeting

10. The Expert Meeting will adopt recommendations that will be assessed by member States before being submitted to the Commission on Enterprise, Business Facilitation and Development in January 2001. The final report will be compiled under the authority of the Chairperson after the conclusion of the Meeting.

Documentation

TD/B/COM.3/EM.7/2	Electronic commerce and tourism : New perspectives and challenges for developing countries
TD/B/COM.1/EM.6/2	International trade in tourism related services: Issues and options for developing countries

Schedule of the Meeting

Day 1 (18 September 2000) (8.00 a.m. - 1.00 p.m.)	Day 2 (19 September 2000) (8.00 a.m. - 1.00 p.m.)	Day 3 (20 September 2000) (10.00 a.m. - 1.00 p.m.)
Item 1 : Registration	Item 4 : The impact of e-commerce on tourism : assessment and experiences	Item 6 : From producers to intermediary to infomediary to consumer: who benefits from the e-commerce revolution in tourism
(3.00 p.m. - 6.00 p.m.)	(3.00 p.m. - 6.00 p.m.)	(3.00 p.m. - 6.00 p.m.)
Item 2 : Election of officers and adoption of the agenda Item 3: Electronic commerce and development	Item 5 : Change and disintegration in the online tourism market and implications for financial, transport and other destination support services	Item 7 : Possible strategies for developing countries Item 8 : Adoption of the outcome of the Meeting



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TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and
Development
Expert Meeting on Electronic Commerce and Tourism
Geneva, 18-20 September 2000
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. Provisional agenda

1. Election of officers
2. Adoption of the agenda
3. Electronic commerce and tourism
4. Adoption of the outcome of the Meeting

II. Annotations to the provisional agenda

Item 1 Election of officers

It is recommended that the Expert Meeting elect a Chairman and a Vice-Chairman-cum-Rapporteur.

Item 2 Adoption of the agenda

The provisional agenda for the meeting is set out in section I above. The schedule of meetings for the three days is attached to this document.

Item 3 Electronic commerce and tourism

The Expert Meeting will discuss the implications of electronic commerce for the tourism industry from the perspective of developing countries. The experts are especially encouraged to draw on the experience of their own countries in order to highlight issues of concern and debate about their strategic implications. Agenda item 3 will have four segments. Under the first segment, discussion will focus on the way electronic commerce affects the tourist product offer and package, as well as the main service providers and intermediaries. Under the second segment, the deliberations of the Meeting will address the role of destination marketing organizations – and in particular national boards of tourism – in the changing environment of the tourism industry. Under the third segment, the Meeting will consider the various new technologies and support services that are being increasingly utilized and that are currently being developed by the different operators and service providers. Against the background of the previous three discussion items, the fourth segment of the Expert Meeting will focus attention on policy and practical recommendations directed to all parties involved in producing and exporting the tourism product in developing countries.

Documentation

TD/B/COM.3/EM.9/2	Electronic commerce and tourism: New perspectives and challenges for developing countries
TD/B/COM.1/EM.6/2	International trade in tourism related services: Issues and options for developing countries

Item 4 Adoption of the outcome of the Meeting

The Expert Meeting will adopt its recommendations/findings/conclusions at the end of the meeting. The final report will be compiled under the authority of the Chairperson after the conclusion of the Meeting.

Proposed schedule for the Meeting

Day 1 (18 September 2000)	Day 2 (19 September 2000)	Day 3 (20 September 2000)
<i>Morning</i>	<i>Morning</i>	<i>Morning</i>
Plenary Opening of the Meeting Item 1 : Election of officers Item 2 Adoption of the agenda	Informals (continued) Item 3 (continued) The role of destination marketing organizations (DMOs)	Informals (continued) Item 3 (continued) Strategies for developing countries
<i>Afternoon</i>	<i>Afternoon</i>	<i>Afternoon</i>
<u>Informals</u> Item 3 : Electronic commerce and tourism Experiences in developing countries	Informals (continued) Item 3 (continued) Information and communication technology for the tourism industry	Plenary Item 4 Adoption of the outcome of the Meeting



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27 July 2000

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TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and
Development
Expert Meeting on Electronic Commerce and Tourism
Geneva, 18-20 September 2000
Item 8 of the provisional agenda

Background Report

Electronic commerce and tourism

New perspectives and challenges for developing countries

Executive Summary

This report examines the major issues that will affect tourism as a result of the development of electronic commerce. Tourism is an information-intensive industry in which electronic commerce is already playing a significant role. Further, tourism is a sector in which a significant number of developing countries enjoy a competitive advantage. The change that the tourism industry is experiencing presents an opportunity for developing countries to improve their relative position in the international market if they embrace the business model and technology of e-commerce. Many players in the tourism market are reinventing themselves today as "*infomediaries*". In order to succeed they must establish themselves as a credible brand with positive consumer recognition. A developing country tourism producer may find it advantageous to establish and broaden its online offer by including booking for other local producers in an effort to offer consumers a comprehensive tourist product. Both private and public sector "*destination marketing organizations*" (DMOs) in developing countries should adopt a "total internet strategy" and by example and assistance should encourage all domestic industry players to do the same.

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I. Background

1. In February 2000, the UNCTAD Conference, at its tenth session, adopted the UNCTAD Plan of Action (TD/386). In paragraph 148, the Plan calls upon UNCTAD *"to continue to assist developing countries and countries in transition in building up a service infrastructure in the areas of customs, transport, banking, insurance and tourism, with a view to improving their competitiveness in the international marketplace."* Also in paragraphs 156 and 157, relating to electronic commerce, it calls on UNCTAD to *"contribute to informing international debates on the developmental impact of global information networks addressing, in particular, developing countries' specific problems, such as information technology, infrastructure constraints and build-up of human resources capacity"*. The Executive session of the Trade and Development Board decided on 12 May 2000 to convene an expert meeting on "Electronic Commerce and Tourism", from 18 to 20 September 2000.

II. Introduction

2. Tourism is an information-intensive industry in which electronic commerce is expected to play a significant role. The application of e-commerce by business and consumers in the industry raises a variety of issues regarding the impact on the industry as a whole and on developing countries in particular.

3. The main actors in the tourism industry include governments, tour operators, hotels, airlines and other transport operators, and tourists or consumers. Each of these actors has a stake in the development of the electronic market. Each is expected to be affected in different ways by the changes brought about by electronic commerce. The concerns and interests of these stakeholders need to be addressed in order to ensure that changes are managed and promoted to the benefit of all.

4. In several respects, tourism can be regarded as of critical relevance when one tries to understand the potential impact of electronic commerce on the economies of developing countries: firstly, because tourism happens to be a sector in which a significant number of developing countries have built comparative advantages over the years, and, secondly, because tourism has remained a largely 'traditional' service activity (i.e. in which, until recently, buyers, sellers and intermediaries were well identified). Studying the relationship between tourism and e-commerce should therefore help in addressing at least two fundamental and broader questions, namely (1) how do new information technologies and networks (such as the Internet) affect the trade competitiveness of developing countries, and (2) how does the 'old economy' (represented by tourism) combine with the 'new economy' (as incarnated by electronic commerce) in developing countries, and how much of a margin of manoeuvre does this combination leave to local governments and enterprises to develop, maintain or create comparative advantages in global markets?

5. This report examines the major issues that will affect tourism as a result of the development of electronic commerce. It focuses in particular on the expected impact of

e-commerce on tourism in developing countries. It looks at how business-to-business and business-to-consumer electronic commerce can improve customer service, reduce costs and promote market expansion. It identifies the constraints that are likely to be encountered and the opportunities available. It suggests strategies that may be adopted to enable developing countries to make maximum gains from the application of e-commerce in tourism. The main objective of this report is to provide a starting point and a background for the analysis, discussion and exchange in which the convened experts will engage.

III. Towards e-tourism

A. Developments and trends

6. In 1996, the top 60 tourism earning countries received a total of USD 412 billion by selling tourism services to international (foreign) tourists. In comparison with the USD 95 billion generated in 1980 by the same group of countries, this represents an average annual growth rate of 9.6 per cent.¹ However, if domestic tourism and all travel are included, global demand for tourism and travel services is expected to amount to USD 4,475 billion for 1999. Forecasts have been made for 2010 for total international tourism receipts of USD 1,325 and for a global tourism demand of USD 8,972 billion.²

7. In 1996, developing countries managed to capture 15 per cent of international tourism receipts, or USD 63 billion. However, this figure may be misleading as China, perhaps the largest developing country tourism exporter, by itself accounts for a full USD 10 billion. Together with earnings generated by the Hong Kong Special Administrative Region (SAR) of China, this figure would surpass USD 20 billion and severely distorts any presentation of cumulative data for developing countries as a group.³ Further, China, Thailand and Indonesia together generated 40 per cent of all international tourism receipts accruing to developing countries in 1996.⁴

8. In contrast, the participation of LDCs in the global tourism market is small and uneven. Together, the United Republic of Tanzania, Maldives, Cambodia, Nepal and Uganda account for over half the total international tourism receipts of LDCs.⁵

9. Table 1 shows the performance of a select group of important tourist destination countries.

10. Growth rates of international tourism receipts were, on average, 50 per cent higher in the developing countries included in table 1 in comparison with the developed countries. This is reflected in a general shift of tourism arrivals towards developing country destinations.

Table 1: International arrivals and tourism receipts

Country	International tourist arrivals 1996 (thousand)	International tourism receipts 1996 (USD million)	Annual growth rate of receipts, average 1980/1996 (per cent)	Share of world-wide receipts 1996 (per cent)	Share of world-wide receipts sub-total 1996 (per cent)
United States of America	46,489	69,908	12.88	16.11	sub-total
Italy	32,853	30,018	8.44	6.92	
France	62,406	28,357	8.03	6.54	
Spain	40,541	27,654	9.00	6.37	
United Kingdom	25,293	19,296	6.61	4.45	
Germany	15,205	17,567	6.34	4.05	
Austria	17,090	13,990	6.34	3.22	
Switzerland	10,600	8,891	6.70	2.05	
Netherlands	6,580	6,256	8.61	1.44	
China	22,765	10,200	19.16	2.35	sub-total
Thailand	7,192	8,664	15.47	2.00	
Indonesia	5,034	6,087	22.21	1.40	
Argentina	4,286	4,572	17.53	1.05	
Malaysia	7,138	3,926	18.35	0.90	
Egypt	3,528	3,204	8.99	0.74	
India	2,288	2,963	6.09	0.68	
Israel	2,100	2,942	7.66	0.68	
Philippines	2,049	2,700	14.26	0.62	
Brazil	2,666	2,469	2.02	0.57	
South Africa	4,944	1,995	7.24	0.46	
Tunisia	3,885	1,451	5.66	0.33	
Morocco	2,693	1,381	8.10	0.32	
Chile	1,460	905	11.18	0.21	
					12.31

Source: World Tourism Organization, 1999.

11. Table 2 shows the percentage change in the numbers of tourist arrivals from developed countries for the years 1992 and 1996. Annex 1 contains the absolute data used to construct table 2.

12. Table 2 shows that there was a substantial growth of arrivals in a number of developing country destinations.

13. The data described above lead to at least one conclusion and two questions. The period 1992-1996 has been one in which those developing countries which were already well established tourist destinations have been quite successful in developing their export revenues from tourism. What about other developing countries (have any been able to become competitors in the tourism industry; have some smaller competitors been eliminated?)? In other words, has concentration increased among destination countries, and have information networks heightened barriers to entry in the industry? After 1996 (which saw the real

beginning of the World Wide Web), has this trend been maintained, or has it been modified, negatively or positively?

Table 2: Change in arrivals from developed countries 1992/1996 (in per cent)

	United States of America	Italy	France	Spain	United Kingdom	Germany	Japan
United States of America	0.00	-11.02	24.15	-6.10	14.94	18.03	41.88
Italy	-15.64	0.00	5.73	35.91	-2.77	-0.35	24.80
France	29.25	-26.70	0.00	-19.66	13.79	5.55	28.73
Spain	35.96	-3.41	13.11	0.00	43.81	46.10	66.31
United Kingdom	12.41	18.88	49.21	18.71	0.00	31.44	7.40
Germany	-8.51	-12.01	-4.85	12.92	3.67	0.00	7.98
Japan	4.63	3.70	21.28	-14.29	16.94	18.75	0.00
Thailand	12.77	-2.54	6.22	0.00	21.61	28.26	63.86
Indonesia	58.40	10.53	41.94	14.29	22.88	42.37	68.61
Argentina	96.89	12.90	22.22	33.33	12.28	19.05	0.00
Malaysia	27.85	0.00	25.00	0.00	17.61	36.17	35.77
Egypt	4.17	115.29	13.62	-67.86	3.47	22.75	32.35
India	50.66	-1.96	25.68	-4.00	47.95	19.05	65.00
Israel	26.09	-1.37	23.57	-8.70	38.93	36.20	72.73
Philippines	68.47	55.56	61.54	100.00	115.38	66.67	57.66
Brazil	163.04	67.61	110.26	62.22	138.46	131.82	105.26
South Africa	121.15	45.00	162.50	100.00	64.86	116.67	100.00
Tunisia	44.44	20.54	51.82	7.50	1.98	24.50	0.00
Morocco	-14.44	-19.47	16.55	-28.88	8.42	15.14	33.33
Chile	46.97	23.08	69.23	33.33	100.00	80.00	33.33

Source: World Tourism Organization, 1999.

14. Developing countries have often used their natural and geographical endowments to achieve remarkable growth in their tourism sector. However, a number of circumstance common, but not exclusive, to developing countries militate against their efforts to develop a strong tourism export sector:

- A generally weaker bargaining position towards international tour operators;
- Long distances and less than acute or no competition result in high air fares;
- Global distribution systems (GDSs) and computer reservation systems (CRSs) owned by large international airlines;
- An increasingly competitive global tourism sector where natural competitive advantages are becoming less significant.

15. The tourism sector is profiting from the processes of globalization and liberalization, and it is important that developing countries should position their national tourism industries to maximize future benefits. As is characteristic of the sector, the tourism product is an amalgam of a wide range of products and services; this dilutes a country's reliance on too few exporting sectors and thus tends to stabilize export earnings and foreign currency receipts. A

detailed discussion of the economic relevance of tourism may be found in the UNCTAD publication "International trade in tourism related services: Issues and options for developing countries".⁶

B. E-commerce and tourism : a question of confidence?

16. The tourism product has a distinguishing feature that has thrust it into the forefront of the electronic commerce revolution: at the point of sale tourism is little more than an information product. A consumer gets product information through the media, friends or a travel agent, based on her or his queries and expressions of interest, i.e. personal information. Then the consumer pays up-front for a reservation for travel and logging and other services. Thus she or he, in exchange for cash, receives yet again more information.

17. Until the product is actually consumed, the consumer must be confident that the actual experience will materialize and satisfy expectations. We may therefore consider tourism as a "confidence good".⁸ While price and customer service during the booking procedure are important competitive factors, tourism producers and intermediaries are increasingly competing on the confidence inspired in the customer directly through the quality of the information they provide.

18. The tourism industry is learning fast that the Internet can satisfy this need far better than any other existing technology. More than any other medium, the Internet and its inherent interactivity empowers people to find information quickly and precisely on any destination or recreation that is capturing their interest. Consumers expect instant information and, increasingly, the possibility to design or customize a the tourism product sought and pay for it online.

19. The use of the Internet in developed countries for purchasing tourism products is increasing dramatically. Of the total e-commerce sales of USD 64 billion in 1999, travel, transport and hotel reservations as a group represented the largest category of Internet transactions, accounting for 38.5 per cent of all online sales.⁹

20. The major part of these transactions originates and is materialized in the United States of America. More than half (53 per cent) of all travellers in the United States of America use the Internet and are responsible for approximately three-quarters of online sales.¹⁰ Online sales in Europe are forecast to increase substantially. In 1999 only 0.1 per cent of the European travel market, worth GBP 540 billion, was sold online and it is expected that Internet sales will have grown six-fold by 2002. For the United Kingdom there are estimates that 30 per cent of flight-only bookings will be made online by 2003, as well as sales of 15 per cent of standard packaged holidays and 20 per cent of last minute and late packaged holidays.¹¹

21. The change that the tourism industry is experiencing presents an opportunity for developing countries to improve their relative position in the international market, provided

they empower themselves to approach their customers and business partners and build confidence. It is certain that embracing digital communication and information technology is no longer an option. What is optional is the type of information technology and telecom policy governments wish to pursue, the restrictions some financial authorities and/or institutions wish to maintain on tourism producers (and not only on them) for the sake of stability and possibly at the expense of growth, and the leadership national tourism boards and tourism business associations will exercise in embracing the digital age.

22. The hard reality in the tourism industry today is *"that if you are not on-line, you are not on sale."*¹² Destinations and businesses eager to have an impact on the marketplace must be on-line. Small or remote destinations and products with well-developed and innovative web sites can now have "equal access" to international markets. In a real sense, it is not the cost of being there that must be reckoned with, but the cost of not being there.

C. Tourism: a sector deeply affected by e-commerce

23. The change in the structure of the tourism industry can be best appreciated by comparing Diagram 2 depicting Internet-enabled tourism with its pre-Internet structure as set out in Diagram 1.

Diagram 1: Pre-Internet tourism

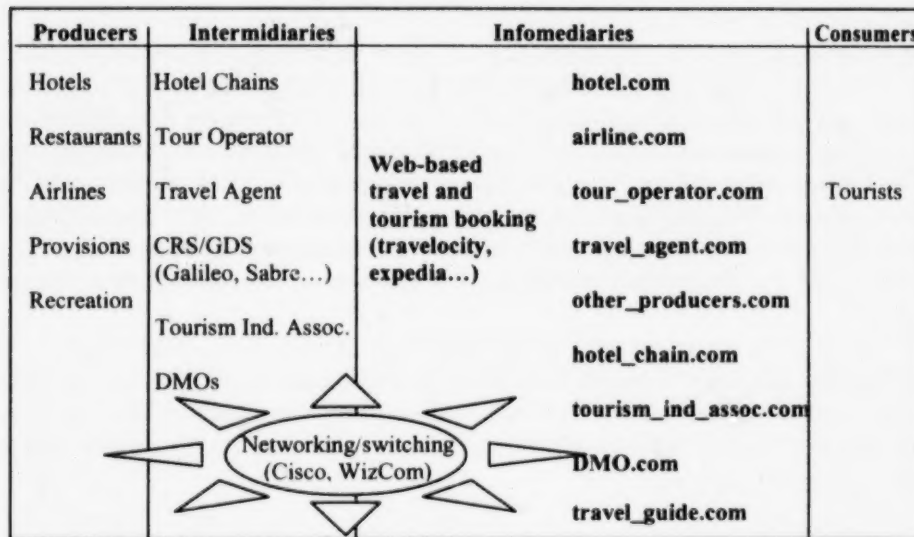
Producers	Intermediaries	Consumers
Hotels	Hotel Chains	Tourists
Restaurants	Tour Operators	
Airlines	Travel Agent	
Provisions	CRS/GDS*	
Recreation		
	Tourism Industry Association	
	DMOs	

* CRS: Computer reservation system

* GDS: Global distribution system

24. It is immediately obvious that the Internet enables all the traditional players to become infomediaries.¹³ Less obvious is the disappearance of the distinction between those intermediaries which only give information to travel agents and consumers (found below the broken line in Diagram 1), and those that both receive and give information in all directions of the value chain and also receive or direct/forward payments.

Diagram 2: Internet-enabled tourism



25. This hierarchy of direction of information and payments is substantially disrupted with the advance of the Internet-enabled tourism industry. From the B-to-C¹⁴ angle, a tourist may now book online any combination of tourism services with/through any combination of producers or inter/info-mediaries. The B-to-B dimension of tourism increases significantly as each producer and inter/info-mediator start linking their proprietary booking systems with one another: each player can then provide a much larger variety of tourism products.

26. An interesting example of this open network concept that is making the old hierarchical value chain obsolete is Forte Hotels. Forte's proprietary computer reservation system (CRS) is linked to the Sabre global distribution system (GDS) through a switch interface. TravelWeb.com provides on-line booking of, among others, Forte Hotels, on its Internet site using the Sabre GDS as a source. Forte Hotels have their own web page which also provides hotel bookings; however it does so through TravelWeb while planning to connect directly to its proprietary CRS in its next generation website. The setup described would allow a tourism industry player to provide a much large spectrum of tourist products to potential clients in addition to its core lodging or travel product. Further, this would empower the tourism business to act as a broker and agent, and possibly develop partnerships for referrals and commissions for business generated for third parties.

27. While putting one's own proprietary/legacy CRS on the Internet may be technically more efficient in comparison with building a booking service on top of those offered by GDS operators and the new infomediaries, it defies the purpose of moving forward to websites that incorporate client profiling, personalized and dynamic information delivery and customer/enterprise relationship management. Knowing a customer's preferences, or enabling her or him to express a detailed product preference, is useless if the owner of the

web page provides no more than an "Internet-enabled" proprietary CRS and cannot push content from other providers.

28. . The demand, as well as the existing technical feasibility, for a one-stop shop in the case of a complex tourism product that would include a consumer-customized itinerary of, say, lodging, travel, car rental and recreational activities, will promote B-to-B relations in the sector. Having established on-line booking as a normal operation, the challenge facing the travel industry is bringing on-line the "travel consultant". The system producing the necessary consumer profiling and, most importantly, the relationship of confidence between consumers and the on-line automated virtual travel consultant must be superior in efficiency, if unavoidably less human than the relationship that a consumer would look for in her/his travel agent.

29. With the majority of actors in the tourism market reinventing themselves as infomediaries it is not surprising that today there are more than 1,000 travel websites. However, some industry analyst expect this number to fall substantially, rather than increase, within the next three years.¹⁵

D. Intermediaries vs. infomediaries : the demise of the travel agent?

30. Much attention has been given to the predicted demise of the travel agent. Travel agents are being bypassed by GDS operators who see economic gains in putting their system online and making it directly available to consumers, while saving the costs of commissions and fees paid to agents. The pre-Internet position of travel agents is unsustainable, and agents are exploring their own on-line strategies as well the possibilities for creating their own CRS and GDS systems. As agents are often too small to pursue global ambitions, one solution may lie in forming business associations of agents. An example of this approach is the United States Travel Agent Registry (USTAR), established in 1996.¹⁶ USTAR brings together 700 travel agents and has as its main objective to deploy Genesis, its own CRS system. The main advantage for the consumer is that Genesis will offer a broad diversity of travel content. USTAR has been expanding the Genesis concept outside its national market and is actively establishing partnerships with similar organizations worldwide.

31. In order to succeed, infomediaries must establish themselves as a credible brand with positive consumer recognition. Players that have a physical presence in the market and have an established business generating sales and earnings have a double advantage. They should be able to build an on-line brand identity on top of their off-line brand and real world operations where they physically come into contact with and have immediate feedback from customers. Further, they are in a position to establish and finance their on-line brand identity in parallel with existing marketing and public relations activities and with funds generated from existing activities. However, pre-Internet players also have important disadvantages. Often they are encumbered by a costly network of physical shops and long-standing arrangements, with varying degrees of exclusivity, with producers and agents.

32. Pure infomediaries, like many dot-com startups, initially may have to spend substantial funds in marketing campaigns designed to establish their brand from the ground up. Often sales and earnings do not provide enough funds and therefore they incur losses for what investors hope will be a limited time. The turnaround is supposed to happen when revenues increase and marketing costs decrease to a sustainable level.¹⁷

33. It is the ambition of every industry player embracing the Internet to become a dominant web point of entry for prospective tourism consumers. While the quality of the B-to-C relationship is crucial, it is unattainable without a fully developed B-to-B network as only through this can the online player offer a complete, complex and competitive product. We can conclude that the Internet-enabled tourism industry structure will not be static.

34. The next section will discuss how destination marketing organizations, be they government bodies or business associations, can favourably contribute to modernizing the tourism industries of developing countries. It is imperative that the permanent advances in technology and best business practice are shared by all industry players across all categories and countries.

IV. The role of destination marketing organizations (DMOs)

35. The role of government or national institutions in creating a general enabling environment has been dealt with in some detail in the UNCTAD publication "Building confidence: E-commerce and economic development".¹⁸ It has also been noted in the introduction of this paper.

36. The traditional DMOs are Boards of Tourism or Tourism Business Associations. With rare exceptions, they are among the less developed players in the on-line tourism industry. The usual explanation for their under-performance is that their clients, the national tourism industry, are not tourism consumers, and this can make it difficult to measure the effects of DMO activities. The tourism industry of a particular country finances its DMO usually through taxes or budget contributions. The DMO in turn communicates its country's touristic offer to the international market through various media, including direct contact with the consumers, through physical offices in the world's major capitals, brochures, film and television and through presence at tourism trade fairs and similar "live" activities.

37. The structural changes in the tourism industry resulting from the e-commerce revolution may encourage the appearance of a new type of DMO. A developing country tourism service provider may find it advantageous to broaden its online offer by including booking for other local service providers. Its efforts to offer consumers a comprehensive tourist product will lead it to establish relationships with other service providers and promote and support their on-line capabilities. When its offer reaches a critical size and scope, it would by definition become a DMO.

38. The advent of online tourism and the development of infomediaries present a unique chance for traditional DMOs to promote their position in the global industry. In developing countries, their role is doubly important as they can assume a position of leadership in actively promoting the development of the national online tourism sector. DMOs are in a unique position in that they can represent the national tourism potential with quality information that answers basic questions any visitor may have: how do I get there, where should I stay, what is there to do and how much will it cost? The Internet provides infinite possibilities for delivering exciting and entertaining information to consumers. Annex 2. gives several examples of best practice web pages from developed and developing country DMOs.

39. Internet presence is no longer an option for any entity aspiring to be a DMO. Rather, it is an obligation and a question of determination to help to develop and improve the national tourism industry that finally pays for the DMOs' services. Destination remains one of the first decisions a potential tourist makes when looking for a suitable product package online. However, if the DMO cannot produce "instant information gratification" and inspire the confidence in the future tourist that she or he will find answers during their on-line session, another destination is only a few mouse clicks away and the opportunity will be lost.

40. The Internet enables the DMO to assume many of the functionalities of the new infomediaries described in the previous sections. Selectivity and focus may be on domestic industry players; although this does not have to be a policy orientation, in particular as tourism is a multi-component export product that contains value added from the broadest spectrum of destination businesses and public utilities. Therefore, the battle for tourist dollars could possibly take precedence over the battle on behalf of domestic tourism industry players.

41. The developing country DMO is ideally placed to encourage and assist its tourism industry to go online and compete in the international market. The DMO can also represent the industry and, if necessary, push for reform that would reduce technical costs and barriers associated with telecom and ISP services and enable on-line financial transactions to take place.

42. DMOs should adopt what is often called a "total Internet strategy" and by example and assistance should encourage all industry players to do the same. It consist of a number of elements which are presented in no strict order:

- Define the objectives of on-line presence;
- Conduct a competition overview;
- Plan for flexibility in the on-line development budget;
- Define success criteria and measurements;
- Define technical and design criteria;
- Integrate existing proprietary/legacy systems;
- Develop human resources;
- Focus on product quality;

- Establish on-line partnerships with all players with maximum data and content interface;
- Provide special assistance to small, indigenous suppliers;
- Plan for 3rd and 4th generation websites;
- Establish a marketing strategy for the websites.

43. Several of these elements are of critical importance to developing countries, and are discussed in a little more detail below.

Define technical and design criteria

44. In web site development, the following key success factors may be considered:

- Ensure the message and content of your site is appropriate to your target audience;
- Create a lively design, which maintains interest throughout the site, and reflects the nature of your destination and your destination marketing organization's corporate or promotional style;
- Ensure the functionality of your site meets your business objectives, such as awareness raising, information provision, transaction processing. Pay constant attention to new user requirements and customer expectations;
- Ensure your content is current and accurate and that third-party information published on your site maintains a similarly high standard. Do not publish information you cannot update;
- Do not compromise performance in order to exploit multimedia features: consider having two versions of your site, one being more suitable for low tech users;
- Test the site thoroughly before launching it.

Focus on Product Quality

45. It is important for DMOs to promote investment in developing and enhancing of the quality of the tourism product and infrastructure. Marketing alone will not guarantee success. Technology does not eliminate the need for quality and standards, but increases it as products can be transparently compared..

Support Small Indigenous Enterprises

46. DMOs should promote and encourage small hotels and resorts to have web sites with secure e-commerce capabilities. Assistance may be provided in the form of funding, training or workshops. Laws, with particular respect to e-commerce, must be in place to protect consumers from fraud. Lack of trust among consumers is the number one reason why many consumers are hesitant to buy goods and services online.

Plan for 3rd and 4th generation websites

47. Vital marketing information about consumers can be collected passively, while they are online, indicating, for instance, how many times a person visited a certain web-page, how long they spent viewing the information, etc., or actively by motivating them to volunteer information by filling in forms or querying a database. This information is then used to effectively identify and communicate with travellers while exploring their preferences for specific market segments and niches. This, in turn, enables the DMO to track information on who buys what, goes where, how often and for how long. Third generation Internet sites allow for profiling, and produce dynamic and personalized content for the visitor. Fourth generation sites incorporate active customer relationship management, and rely on an extensive knowledge of the customers' professional or private needs, habits and lifestyle. It is, however, uncertain how far customers will want to go in giving such detailed information as fourth generation websites are still uncommon.

48. In order to develop and nurture a one-to-one relationship with customers it is advantageous to communicate by e-mail wherever possible, as it is personal and immediate, but less intrusive than the telephone. Database-filtering tools may be used to ensure that proactive mail shots have a personal feel. Competitions, auctions, chat rooms, feedback forms, and quizzes may be organized to encourage customers to tell more about themselves.

Market and promote the website

49. Marketing should be carried out because merely having a website does not guarantee business. Having a website is like being listed in the yellow pages. The website still has to be promoted whether on billboards, magazines, in the press, on television or at trade fairs. The website should also be linked to search engines so that the sites can be easily found when travellers are searching for information online. Not only does the website's Uniform Resources Locator (URL) need to be promoted, but hyperlinks to other sites could also be beneficial.

Annexes

Annex 1 - Tourist arrivals from developed countries 1992/1996

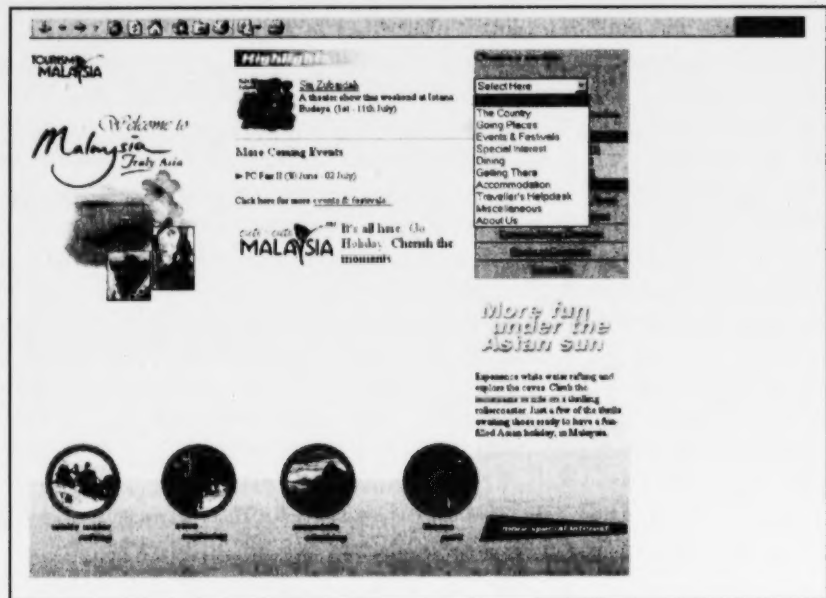
(thousands)	Arriving in	Departing from		United States of America		Italy		France		Spain		United Kingdom		Germany		Japan	
		Year	Year	1992	1996	1992	1996	1992	1996	1992	1996	1992	1996	1992	1996	1992	1996
	United States of America			0	0	590	525	795	987	344	323	2824	3246	1692	1997	3653	5182
	Italy			358	302	0	0	8799	9303	607	825	1659	1613	8783	8752	742	926
	France			2014	2603	7229	5299	0	0	3434	2759	8723	9926	12674	13378	449	578
	Spain			673	915	1115	1077	1571	1777	0	0	2376	3417	2874	4199	371	617
	United Kingdom			2748	3089	784	932	2483	3705	684	812	0	0	2268	2981	554	595
	Germany			1656	1515	866	762	721	686	271	306	1252	1298	0	0	714	771
	Japan			561	587	27	28	47	57	14	12	242	283	64	76	0	0
	Thailand			274	309	118	115	193	205	11	11	236	287	276	354	570	934
	Indonesia			125	198	57	63	62	88	14	16	118	145	118	168	395	666
	Argentina			161	317	93	105	36	44	132	176	57	64	63	75	0	0
	Malaysia			79	101	0	0	24	30	0	0	142	167	47	64	260	353
	Egypt			168	175	170	366	213	242	84	27	317	328	356	437	68	90
	India			152	229	51	50	74	93	25	24	244	361	84	100	60	99
	Israel			345	435	73	72	140	173	23	21	149	207	163	222	11	19
	Philippines			222	374	9	14	13	21	3	6	39	84	36	60	222	350
	Brazil			138	363	71	119	39	82	45	73	26	62	66	153	19	39
	South Africa			52	115	20	29	24	63	4	8	148	244	90	195	9	18
	Tunisia			9	13	224	270	357	542	40	43	202	206	649	808	4	4
	Morocco			90	77	113	91	429	500	277	197	95	103	185	213	12	16
	Chile			66	97	13	16	13	22	21	28	10	20	20	36	6	8

Source: World Tourism Organization, 1999.

Annex 2 - Examples of websites of DMOs and tourism producers

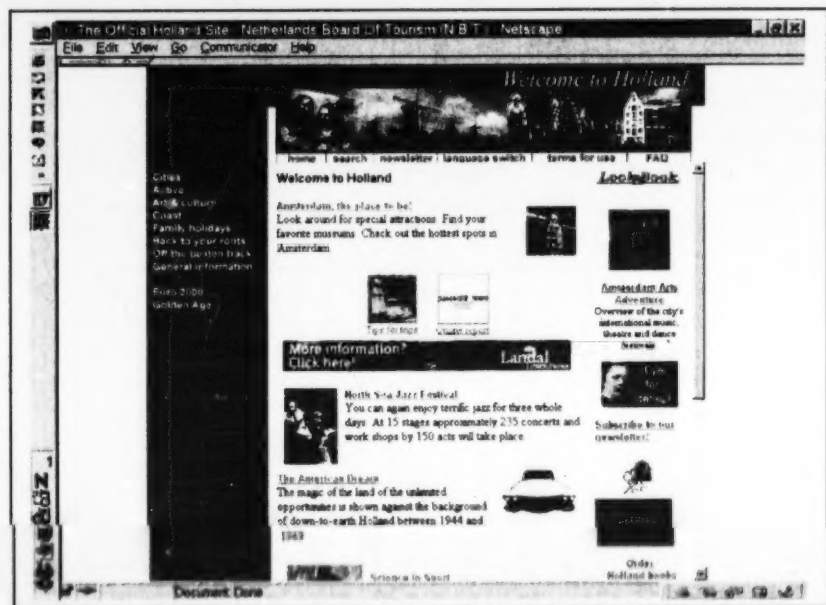
Example 1.:

The Malaysia Tourism Promotion Board (MTPB) or *Tourism Malaysia* website promotes and offers various services and links to on-line producers, a number of which have on-line booking facilities.



Example 2.:

The third version of the Netherlands Board of Tourism website strives to provide comprehensive information to the consumer, bringing together as many components as possible that make up a holiday: special interests, culture and recreation and family interests, as well as travel and lodging.



Example 3.: The tourism Board of the United Republic of Tanzania website focuses on, among other things, establishing a strong link between the natural heritage of the country and its touristic offer. Many links are provided to a broad spectrum of domestic tourism producers.

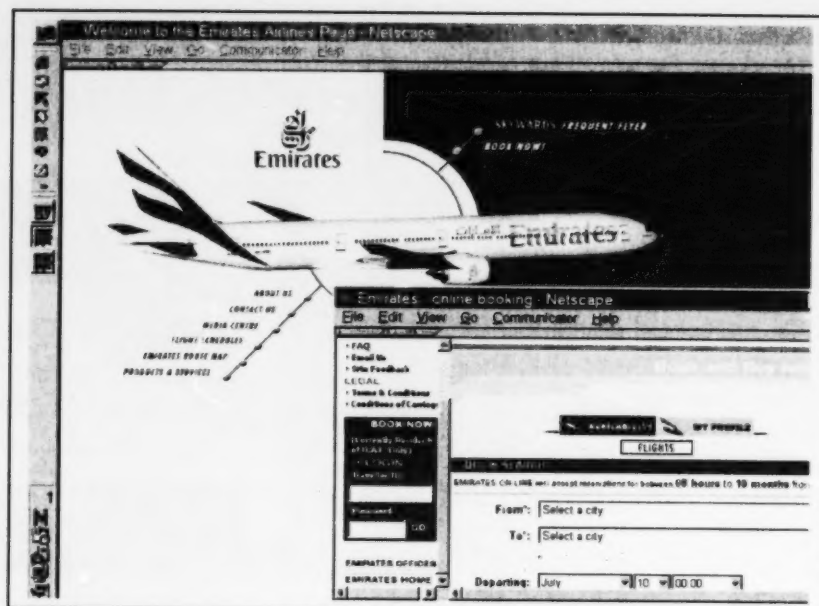


Example 4.: The international tour operator Thomas Cook is transforming itself into a "one-stop-shop" for a large variety of tourism products and services with full booking facilities and links. Services include holiday packages, iether flights or hotels only, and car rentals, as well as last minute offers and a travel guide.



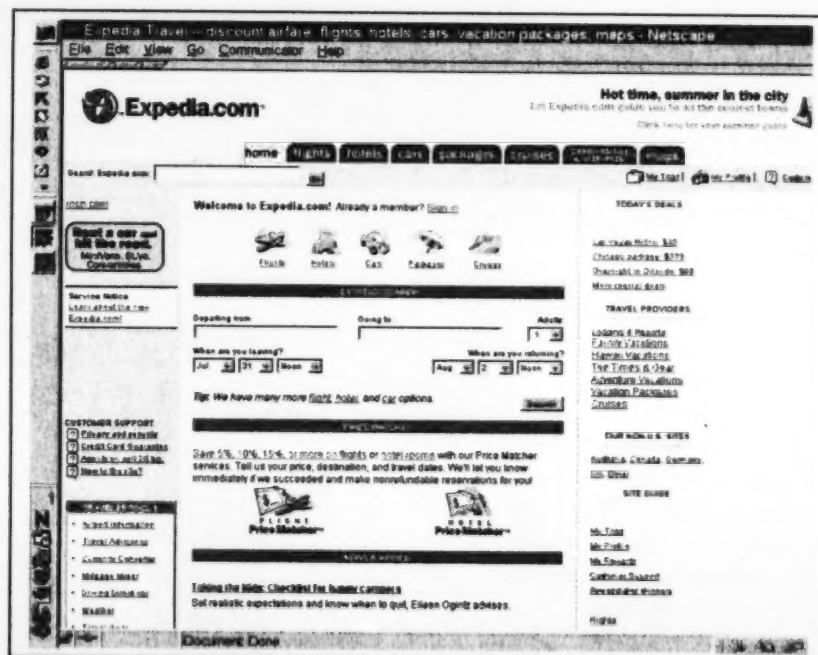
Example 5.:

Emirates Airlines provides on-line booking for residents. It is now using the Amadeus CRS, instead of putting its proprietary CRS directly on the Internet, thus giving itself the possibility of providing booking facilities for partners associated with the same system.



Example 6.:

Expedia Inc. is a provider of branded on-line travel services. The Company's web site offers a one-stop-travel-shopping and reservation services schedule, pricing and availability information for over 450 airlines, 40,000 hotels and all major car rental companies. Prior to 1 October 1999, it was an operating unit of Microsoft.



Notes

- ¹ World Tourism Organization, "Yearbook of Tourism Statistics", 1999.
- ² World Travel and Tourism Council, "Travel and tourism's economic impact", March 1999
- ³ The Hong Kong SAR of China generated USD 10 billion from international tourism receipts in 1996.
- ⁴ World Tourism Organization, "Yearbook of Tourism Statistics", 1999.
- ⁵ UNCTAD, "International trade in tourism related services: Issues and options for developing countries" (TD/B/COM.1/EM.6/2), 8 April 1998.
- ⁶ *Ibid.* (TD/B/COM.1/EM.6/2).
- ⁷ Sometimes information can be firsthand. However, if information turns into familiarity, this seriously decreases the perceived value of the tourist destination because its primary quality is uniqueness and difference from the consumer's everyday environment or experiences. Familiarity erodes this quality.
- ⁸ Hannes Werthner and Stefan Klein, "ICT and the changing landscape of global tourism distribution", *Electronic Markets*, 1999, Volume 9 (4).
- ⁹ Poon, *E-commerce and tourism*, 2000.
- ¹⁰ International Data Corporation.
- ¹¹ Genesys-The Travel Technology Consultancy, "The Battle of Brand" in *Travel Trade Gazette*, <http://www.genesys-consulting.com/ttg/article000425.htm>.
- ¹² World Tourism Organization, "Marketing tourism destinations online", p.4, 1999.
- ¹³ For a more detailed discussion on disintermediation in e-commerce, and the growing role of infomediaries, see 'Building Confidence: Electronic Commerce and Development', UNCTAD 2000.
- ¹⁴ The expressions 'B-to-C', 'B-to-B' and 'B-to-G' refer respectively to 'business-to-consumers', 'business-to-business' and 'business-to-government', as three major forms of e-commerce. For a more detailed explanation, see "Building Confidence", *op.cit.*, UNCTAD 2000.
- ¹⁵ Wired, "T2: Budding travel monopoly?", www.wired.com/news/ebiz/.
- ¹⁶ United States Travel Agent Registry, <http://www.ustar.com/>.
- ¹⁷ Genesys-The Travel Technology Consultancy, "Online travel entrepreneurs" in *Travel Trade Gazette*, <http://www.genesys-consulting.com/ttg/article000228.htm>

¹⁸ UNCTAD, "Building confidence: E-commerce and economic development", UNCTAD/SDTE/Misc.11,
United Nations publication, Sales No.E.0011D.16, 2000.



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**REPORT OF THE EXPERT MEETING ON
ELECTRONIC COMMERCE AND TOURISM**

Held at the Palais des Nations, Geneva,
from 18 to 20 September 2000

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I. RECOMMENDATIONS¹

1. Individual experts expressed their views on policies and strategies to be adopted by developing countries in order to increase their participation in electronic commerce in tourism and on the possible role of UNCTAD and other international organizations in realizing the development benefits of those policies and strategies. The following is a summary of recommendations made by various experts. Not all the views were necessarily shared by all the experts; consequently, the summary reflects a wide diversity of views.

A. Recommendations to Governments and enterprises

2. Solutions for e-commerce in tourism should also address broader issues of electronic commerce in general, and their effects and benefits for development.

3. Ensure that e-tourism is considered alongside an appropriate multisectoral strategy for improved Internet access and telecommunications infrastructure, and use this strategy to influence investment in telecommunications.

4. Liberalize telecommunications and Internet services in order to attract new investment, reduce prices and improve the quality of service.

5. Create and continually update local content on the Internet in local languages and languages of the most important tourism consumers in order to provide information and databases on tourism experiences and attractions and general information about destinations.

6. Review available research, and conduct additional research when necessary, on e-commerce in tourism in order to provide information on market trends, consumer needs, website use, demographic profiles and the impact of non-availability of on-line payments and other information that may support the development of a sustainable tourism industry.

7. Implement appropriate mechanisms in developing countries for the safer use of electronic payments in tourism transactions at the local, regional and global levels.

8. Promote tourism that is sustainable in a social, cultural, environmental and economic sense. To this end, develop partnerships and links among all parties in the tourism supply chain, including government, destination management organizations (DMOs), local tourism service providers, travel agents and other intermediaries, global distribution systems (GDSs), travel portals and the information and communication technology (ICT) sector, as well as the local community and foreign suppliers.

¹ As adopted by the Expert Meeting at its closing plenary meeting on 20 September 2000.

9. Integrate new e-tourism channels into traditional and non-traditional distribution channels and foster the development of special-interest tourism websites, for example for eco-tourism and cultural tourism. These channels could be supported by the development of a common product database to share development costs and provide impartial information.
10. Develop a national vision, plans and policy guidelines on e-tourism and involve industry players and local communities in developing tourism strategies and products within the context of overall tourism marketing and development strategies.
11. Establish appropriate laws and regulations and service standards in order to build trust and consumer confidence and to ensure privacy and the protection of consumers and intellectual property rights. Also, cooperate in setting up an international framework to protect travellers conducting transactions on the Internet.
12. Call upon Governments to make joint efforts to ascertain whether the international e-tourism market is working in a way that does not promote unfair or anti-competitive practices which constitute barriers to the tourist industry for developing countries.
13. DMOs at all levels should be strengthened in order to be in a better position to coordinate the relevant public and private actors and thus be enabled to play a broader role. They will be essential for positioning developing countries to be able to take advantage of new ICTs. In order to be effective, DMOs have to be representative of relevant stakeholders at the local level, institutionally established and provided with the necessary human, financial and logistical resources. Ultimately, this could allow developing countries to benefit from vertical cooperation and integration.
14. With respect to e-commerce, DMOs should play a broader role. They should promote destination markets in key tourism portals, search engines and gateways and also list destinations under as many links as possible so that descriptors are not limited to, for example, tourism or names of the country alone.
15. Build and enhance destination brand image in order to improve consumer awareness and confidence, and reflect this in any web strategy.
16. Develop capacity building through training and basic education in relevant fields, for example informatics and telecommunications, and conduct awareness campaigns about e-tourism.
17. Governments and donor agencies should stimulate activities in e-commerce through grants, tax incentives, special credit lines and other seed funding arrangements, and empower DMOs with technology and financial resources.
18. On-line transactions must be combined with the development of physical tourist attractions, satisfactory product fulfilment and supply of support services, such as banking,

insurance, transport and customs. Since not all suppliers will be ready for on-line transactions, destination strategy should include off-line transactions support, local call centres and use of local knowledge.

19. Traditional travel agents and other intermediaries should transform themselves by adopting new information technologies and enhancing their expertise and creativity, so as to improve their efficiency and ensure their continuity.

B. Recommendations to UNCTAD

In cooperation with other appropriate bodies UNCTAD should:

20. Analyse the effect that tourism-related e-commerce has had or will have on development, and development policies. The objectives of this analysis should include identification of positive, negative or indifferent effects, as well as their causes, and formulation of recommendations for maximizing the development benefits of e-commerce.

21. Disseminate information to developing countries on approaches and elements of government policies on e-tourism, taking into account successful experiences in the developing and developed countries.

22. Give priority attention and support to the development of sustainable e-tourism in developing countries.

23. Stimulate exchanges of experiences among Governments and tourism enterprises of developing countries on the one hand, and Governments and enterprises of other countries on the other hand, and disseminate to developing countries information on experiences in e-tourism through website and periodic publications, inter-organizational cooperation, etc.

24. Signpost and carry out case studies and analysis of e-commerce in tourism, including problems of on-line payments, trust-building issues such as encryption and electronic certificates or signatures, and new technologies such as interactive television and cellphones that can support e-commerce; and collaborate with tourism research centres and academic institutions in order to promote capacity building and knowledge in e-tourism in developing countries.

25. Encourage the adoption of open data standards, e-signatures and new Internet developments (e.g. new top-level domains such as .geo) where these would assist in opening up the e-tourism market place, taking into account in particular the development dimensions of the sector; and ensure that e-commerce serves equitably the needs of developed and developing nations, and can contribute to social and environmental accountability within the tourism industry.

26. Promote exchanges on how to increase the effectiveness of DMOs.
27. Suggest possible arrangements for UNCTAD to act as an incubator for e-commerce and small and medium-sized e-tourism enterprises through appropriate United Nations programmes.
28. Examine ways to promote the visibility of tourism portals in developing countries and possible arrangements for the establishment of a global, central tourism portal for the benefit of developing countries.
29. Assist in the promotion of partnerships between DMOs in developing countries on the one hand, and intermediaries and origin country DMOs on the other hand, and encourage joint marketing within DMOs in developing countries.
30. Develop capacity building through training and basic education in relevant fields, for example informatics and telecommunications, and conduct awareness campaigns about e-tourism.

II. CHAIRPERSON'S SUMMARY OF THE EXPERTS' INFORMAL DISCUSSIONS

31. The tourism industry is in a very dynamic phase of development as more people will travel more frequently to more destinations, and will want more diverse travel experiences. Projections for 2003 indicate a 2½-fold increase in on-line bookings compared with the year 2000. For many developing countries tourism is a major source of revenue and hard currency, and a sector in which many enjoy a clear competitive advantage, which therefore provides tremendous opportunities for growth.

32. Against this background, the main theme of the discussions at the Expert Meeting was the opportunities afforded to the tourism sector by the new information technologies, as well as the inherent difficulties facing business operators. The informal discussions focused mainly on three topics: the experience of tourism operators that use the Internet in developing countries; the role of destination marketing organizations; and information and communication technology. Under each topic, strategic options for developing countries were set out and discussed by the experts.

33. The first topic was illustrated by several companies that presented their e-business strategies. Tourism companies use the Internet in a variety of ways. In particular, some operate as traditional high-street travel agencies and generate additional sales via their websites. Others are purely virtual tourism portals, and function as a new breed of travel company, targeting not only the final consumer but also service providers and travel agents. Typically, these companies provide a wide range of services, including helping consumers to find the best price for tourism products by maintaining a large on-line catalogue; securing on-line reservations and sales on behalf of service providers; and powering the websites of travel agents.

34. The main obstacles encountered by these companies were identified. First and foremost, the cost of technology and the Internet connection was still very high, especially in countries where the State Telecom had a monopoly. Consequently, travel agents expressed regret that only a minority of the service providers and consumers in their countries were able to access the Internet, which made it all the more difficult for them to maximize the benefits of their e-business strategy. It was hard to convince businesses of the usefulness of adopting the Internet and Intranet as a business medium at present costs.

35. In addition, the costs of maintaining the websites were high, particularly in view of the need to continuously update the information, to keep up with the *fast-changing* technology, to attain a high level of visual appeal through an attractive graphics environment and to manage replies to e-mail queries. Marketing the website was also difficult, as it required registering with an ever-increasing number of search engines and correct positioning towards tourism portals in order to acquire traffic.

36. Another important obstacle was that, in many countries, there were no means of on-line payment under local regulations. In these countries, e-businesses either bypass the local banking system or move their on-line services to countries where such payment is possible. Consequently, tourism revenues are not necessarily channelled in full to the destination market. Developing countries were thus encouraged to adopt on-line payment techniques and supporting legislation.

37. Some of the experts expressed regret at the lack or the inefficiency of a Tourism Board that could market a country as a tourist destination.

38. The key factors for success and lessons learned by enterprises were identified. First, it was important to choose scalable technology, to be able to publish local content and to target the right audience through the most appropriate technological means. One of the experts presented his company business model, which was based on the simultaneous utilization of different technologies: the Internet and e-mail messaging were complemented by a cable television channel, wireless communication (WAP) and the Short Messaging System (SMS).

39. Another key factor for success was ownership of the inventory, i.e. the pre-buying of hotel rooms and other tourism services. This made it possible to have large discounts and quality control. Most important of all was investing in human capital, which required extensive technical training and also capacity-building in the wider sense.

40. The second topic discussed was the role of destination marketing organizations (DMOs). DMOs, as organizations dedicated to a specific destination, are inherently different from tourism intermediaries without a dedicated destination focus and thus have a well-defined role to play. The experts agreed that DMOs' traditional area of competence was the promotion of their destination by developing public relations activities, building credibility and trust among consumers, and serving as an on-line tourism information centre.

41. The experts stressed that currently only a small percentage of tourism revenues estimated to be as low as 30 per cent in some cases actually remained in the hands of service providers in developing countries. One of the experts subsequently qualified this figure by observing that much of the remaining 70 per cent was made up of international travel costs. Developing countries were unlikely to be able to retain these, unless they operated international flights. Whatever the case, the experts agreed that DMOs and service providers in developing countries could use the Internet to increase their share of tourism revenues by cutting out intermediaries that did not necessarily add value to the product. This meant enhancing the long-term profitability of private sector operators by strengthening their bargaining power vis-à-vis large tourism operators. In turn, increased revenue retention would allow DMOs not only to act as an operational tool for information and reservation but also to "manage" their destinations. This required a long-term understanding and careful management of the social, cultural and environmental impact of tourism.

42. In this connection, DMOs should act as catalysts in developing a partnership among all parties in the tourism supply chain – including the Government, local tourism service providers, travel agents and other intermediaries, global distribution systems (GDSs), travel portals and the information and communication technology (ICT) sector, as well as the local community and foreign suppliers – with the common goal of increasing revenue retention and preserving the long-term quality of the destination.

43. With the advent of the Internet, the idea of a partnership becomes all the more important in view of the need to avoid excessive fragmentation of information across too many websites. DMOs could play an important role in this respect by developing consistency across e-commerce platforms used by tourism producers and by establishing good links with key tourism portals, search engines and gateways.

44. The experts stressed that there were many sorts of DMOs. In particular, these organizations could be governmental, semi-private or private: there could be no single strategy for all DMOs, and it was necessary to explore as many alternatives as possible. Depending on local conditions, they could – in addition to providing information on their destination – deliver e-services directly, i.e. making on-line secure reservations for local service providers. Finally, a potential role for them was to promote awareness of technical developments relevant for e-tourism service providers; provide training for their affiliates and negotiate with banks and financial operators in order to reduce banking costs for on-line payments. In collaboration with the private sector, DMOs could also develop special-interest tourism, for example eco-tourism and cultural tourism, that could be particularly well suited for marketing on the Web.

45. The DMOs present at the Meeting deplored the high cost of Internet connections, the difficulty of access from large parts of their countries and the lack of an “Internet culture” among tourism service providers. Furthermore, they stressed that in addition to endeavouring to increase their presence on the Web, it would be crucial for developing countries to develop physical tourist attractions and support services, such as banking, insurance, transport and customs.

46. In order to be effective, DMOs needed to be institutionally established and provided with the necessary human, financial and logistical resources. Ultimately, this would require capacity-building for them in terms not only of technical training but also of provision of the necessary technical and financial resources. In view of the modest budgets available for tourism promotion, various solutions could be tried, including the development of regional or subregional portals, at least partially financed by commissions on actual sales. International cooperation by specialized agencies, such as the World Tourism Organization and UNCTAD, would also be needed. Training and capacity-building were viewed as essential, and could be jointly developed and administered by UNCTAD, the World Tourism Organization and specialized training institutions. UNCTAD could also contribute to the development of an international web portal for DMOs, so as to increase their visibility on the Internet.

47. The third topic discussed was information and communication technology and how it can enable e-commerce in the tourism sector. Adequate and up-to-date information and communication technology provides the basic infrastructure for electronic commerce in tourism. Travel technology intermediaries could provide e-connectivity solutions and thereby allow tourism and travel companies to concentrate on core business rather than technology. For instance, it was possible for a tourism producer such as a rent-a-car company or hotel to transmit its capacity to a very wide variety of distribution channels through a single Internet connection. According to some experts, the lack of a terrestrial network could cease to be a problem with the advent of the wireless Internet and low earth-orbiting satellites, and developing countries could then successfully leapfrog into e-commerce. According to other experts, the new technologies could constitute a further obstacle for developing countries, and cooperation was necessary among Governments, businesses and citizens for a successful e-tourism strategy.

48. In addition, the experts discussed the possible consequences for the tourism industry of new technological developments, such as the proposed new top-level domain name ".geo".

49. As regards the strategic options for developing countries, one possible option to overcome the problems of access that were common to many developing countries was Internet kiosks and Multipurpose Community Telecentres (MCTs), which could increase public access to the Internet. MCTs are varied in that they may target different audiences (the elderly, children, young adults, entrepreneurs etc.), and they could be established by a partnership of government, the private sector, non-governmental organizations and international organizations.

50. Also discussed were anti-competitive practices in the tourism industry. These include the selective presentation of seating and room availability in GDSs, high charges for access to computer reservation systems, entry barriers for new competitors on key routes, mergers of tour operators, predatory pricing and exclusivity clauses in contracts for hotel rooms. An Expert Meeting held in UNCTAD in 1998 recommended *inter alia* the adoption of a Tourism Annex to the GATS, which would set out new regulatory disciplines applicable to tourism services. This would be essential for promoting fair competition and for the sustainable development of the tourism industry.

51. A number of experts suggested, among others, the following points for action by UNCTAD:

- Developing analysis of concrete benefits for developing countries provided by e-tourism and promoting awareness of ICT in developing countries;
- Broadening the understanding of policy actions required in the context of the tourism industry and for the adoption of a general policy to foster e-commerce readiness in developing countries;

- Preparing a training package for travel operators from developing countries to enable them to migrate from traditional business to e-business, in cooperation with training institutions and other international organizations;
- Supporting DMOs from developing countries in becoming better able to manage their respective destinations on a long-term basis, by encouraging exchanges of experiences among DMOs from various regions;
- Promoting the visibility of tourism portals in developing countries, possibly by establishing a global, central tourism portal for the benefit of developing countries;
- Convening an Expert Meeting on e-payments and the security of transactions over the Internet, especially as these relate to electronic signatures;
- Exploring ways and means for UNCTAD to act as an incubator for e-commerce and small and medium-sized e-tourism enterprises.

III. ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

52. In accordance with the decision of the Trade and Development Board at its twenty-fourth session, on 12 May 2000,² the Expert Meeting on Electronic Commerce and Tourism was held at the Palais des Nations, Geneva, from 18 to 20 September 2000. The meeting was opened on 18 September 2000 by Mr. Jean Gurunlian, Director of the Division for Services Infrastructure for Development and Trade Efficiency.

B. Election of officers

(Agenda item 1)

53. At its opening meeting, the Expert Meeting elected the following officers to serve on its Bureau:

Chairperson: Mr. Virasakdi Futrakul (Thailand)

Vice-Chairperson-
cum-Rapporteur: Mr. Patrick Pardo (Switzerland)

C. Adoption of the agenda

(Agenda item 2)

54. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in TD/B/COM.3/EM.9/1/Rev.1. Accordingly, the agenda for the Meeting was as follows:

1. Election of officers
2. Adoption of the agenda
3. Electronic commerce and tourism
4. Adoption of the outcome of the meeting

D. Documentation

55. For its consideration of the substantive agenda item (item 3), the Expert Meeting had before it a report by the UNCTAD secretariat entitled "Electronic commerce and tourism: new perspectives and challenges for developing countries" (TD/B/COM.3/EM.9/2).

² See Report of the Trade and Development Board on its twenty-fourth session (TD/B/EX(24)/3), paragraph 46 and annex III.

E. Adoption of the outcome of the Meeting

(Agenda item 4)

56. At its closing meeting, on 20 September 2000, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting, under the authority of the Chairperson, to include the recommendations adopted by the Meeting (see chapter I) and the Chairperson's summary of the experts' informal discussions (see chapter II). It also decided to include, as annex I, a text entitled "Suggestions by the Latin American countries".

Annex I

SUGGESTIONS BY THE LATIN AMERICAN COUNTRIES

The Latin American countries present at the Expert Meeting on Electronic Commerce and Tourism – Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Peru, Uruguay and Venezuela – submit the following recommendations for inclusion among the Meeting's conclusions:

1. Our view is that globalization must contribute to sustainable economic growth and sustained development. International cooperation must therefore be directed at efficiently supporting local and regional efforts.
2. The participation of developing countries should be facilitated and increased in the promotion of the tourism image of individual regions or countries and in the marketing of tourism products and services.
3. The major, competitive participation of developing countries should be facilitated by electronic marketing, contributing to the social development of their economies.
4. The following suggestions may also be adopted by other regions of the world in similar geographical, ethnographic, cultural and environmental situations:
 - (a) We suggest that multilateral organizations such as UNCTAD and WTO should stimulate technological, financial and academic transfers to developing countries so as to ensure that small- and medium-sized enterprises, which are the most numerous in our economies, may benefit from the opportunities offered by this new economic order;
 - (b) We suggest that those multilateral organizations and others with similar aims should convince and invite our countries' Governments to recognize the importance of these developments and should give priority to, and set aside in their official policies, the budgetary and logistic means required to implement these solutions;
 - (c) We request those organizations (UNCTAD, WTO and others) to provide the necessary technical, logistic and academic support to implement a South American Internet portal, such as to convey the wealth of natural resources with which we have been endowed, our culture, our historical and architectural heritage, and our natural attractions and modern achievements, as a basis for the development of alternative tourism, which is the subject of growing demand by countries with stronger economies;

- (d) In our turn we undertake to develop sustainable and sustained tourism based on the principles of quality, service, security and sound management.

Annex II

ATTENDANCE *

1. Experts from the following States members of UNCTAD were represented at the Meeting:

Albania	Guinea-Bissau
Angola	Haiti
Armenia	Iran (Islamic Republic of)
Austria	Israel
Bahamas	Italy
Barbados	Jamaica
Benin	Japan
Bolivia	Jordan
Brazil	Kenya
Burkina Faso	Latvia
Cameroon	Lebanon
Chile	Madagascar
China	Malawi
Colombia	Malaysia
Congo	Mauritius
Costa Rica	Mexico
Côte d'Ivoire	Morocco
Cuba	Myanmar
Cyprus	Netherlands
Democratic People's Republic of Korea	Niger
Dominican Republic	Oman
Ecuador	Panama
El Salvador	Peru
Ethiopia	Philippines
Finland	Qatar
France	Romania
Germany	Russian Federation
Ghana	Saint Lucia
Greece	Samoa
Guatemala	Sao Tome and Principe
Guinea	Saudi Arabia
	Senegal

* For the list of participants, see TD/B/COM.2/EM.7/INF.1

Slovakia
Slovenia
Spain
Sudan
Sweden
Switzerland
Thailand
Togo
Trinidad and Tobago

Turkey
United Kingdom of Great
Britain and Northern Ireland
United Republic of Tanzania
Uruguay
Vanuatu
Venezuela
Yemen
Zambia

2. Palestine attended the Meeting as an observer.
3. The following intergovernmental organizations were represented at the Meeting:

Association of African Trade Promotion Organizations
Arab Labour Organization
League of Arab States
Organization of the Islamic Conference
World Tourism Organization
4. The following specialized agencies and related organization were represented at the Meeting:

International Labour Organization
United Nations Industrial Development Organization
World Trade Organization
5. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions
World Federation of United Nations Associations
World Wide Fund for Nature International
World Vision International

Specially Invited

Association of European Travel Agents